



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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GLORIA MOLINA
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Third District

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MICHAEL D. ANTONOVICH
Fifth District

February 15, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**RECOMMENDATION TO APPROVE THE TOTAL SPENDING AUTHORITY FOR THE
AGREEMENT WITH RISK TECHNOLOGIES INC. FOR A RISK MANAGEMENT AND
CLAIMS ADMINISTRATION INFORMATION SYSTEM (RMIS)
(ALL DISTRICTS) (3 VOTES)**

JOINT RECOMMENDATION WITH COUNTY COUNSEL THAT YOUR BOARD:

Increase the amount of previously delegated authority to the Chief Administrative Officer (CAO) and the County Counsel as joint Program Directors to the full contract amount of \$15 million.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On December 14, 2004, your Board, on a motion by Supervisor Molina, approved the terms and conditions of the Risk Management Information System (RMIS) Contract Amendment 2 (Amendment 2) with Risk Technologies, Inc. (RTI). However, as a condition to approving the CAO and County Counsel's total spending authority under Amendment 2, the Board instructed the CAO and County Counsel to:

Return to the Board within 60 days, with a detailed description of:

- 1) Any concerns related to the RMIS and the action plan and timeline to resolve those concerns;
- 2) Intended enhancements to RMIS;
- 3) How the Board will be notified of any future concerns; and,

- 4) A detailed timeline to resolve issues concerning the differing roles of the CAO and County Counsel in claims management.

Attachment 1 of this report responds to these requests; and, the CAO and County Counsel now recommend Board action to fully implement the complete spending authority of the CAO and County Counsel to proceed under Amendment 2. The increase in spending authority will enable the execution of up to six annual renewals for expanded service, maintenance, support, and enhancements to the RMIS up to the maximum contract sum of \$15,000,000. RMIS is a critical component of the County of Los Angeles' risk management activities.

On December 14, 2004, your Board approved spending related to Amendment 2 of:

- 1) \$154,000 for work orders to conform RMIS to eCAPS by July 1, 2005, and to process and issue 2004 federally mandated "1099" forms;
- 2) \$150,000 for work orders for critical system enhancements; and,
- 3) \$237,000 for interim increased maintenance and support services from RTI.

FISCAL IMPACT/FINANCING

Funding for initial system Upgrade Projects/Enhancements has been included in the FY 2004-05 and proposed FY 2005-06 Insurance Budgets. Funding for the increase in maintenance and support and \$500,000 for future Upgrade Projects has also been included in the FY 2004-05 Insurance Budget. The average annual increase in RMIS costs, for the next six years, of \$1.4 million per year, will not have a significant impact on any one County department's budget.

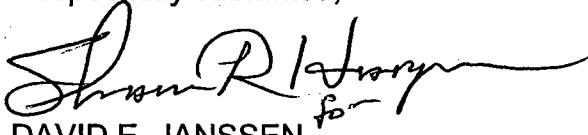
FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The terms and conditions of Amendment 2 were accepted and approved by your Board on December 14, 2004. Your Board gave partial approval to spend \$541,000 of Amendment 2 funding on maintenance, support, and various critical system modifications.

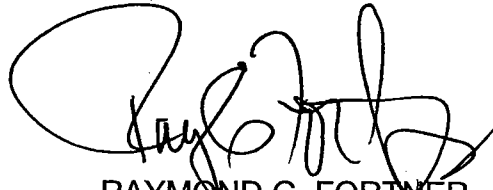
IMPACT ON CURRENT SERVICES (OR PROJECTS) AND CONCLUSION

Approval of the complete Amendment 2 spending authority up to the full contract amount will ensure no interruption of services provided by RTI, and enhancements to RMIS will be made in a timely and appropriate manner. Under the current spending authority granted by your Board on December 14, 2004, the annual maintenance and support services will terminate on March 14, 2005, unless complete spending authority is authorized.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer



RAYMOND G. FORTNER, JR.
County Counsel

DEJ:RGF:lis

Attachment

c: Auditor-Controller
Chief Information Office

Attachment 1

The following responds to your Board's request for a report on: 1) Any concerns related to the RMIS and the action plan and timeline to resolve those concerns; 2) Intended enhancements to RMIS; 3) How the Board will be notified of any future RMIS concerns; and, 4) A detailed timeline to resolve issues concerning the differing roles of the CAO and County Counsel in claims management.

1. Concerns Related to RMIS

The following are examples of ongoing issues as RMIS' implementation and expansion continues, as well as the current strategies to address those issues. Individual timelines and action plans will be established within each work order as negotiated with RTI under the terms of the RMIS Contract Amendment 2 (Amendment 2).

A. Data confidentiality and integrity:

Data confidentiality and integrity are fundamental issues which extend to all aspects of the system and impact all users and potential users. RMIS is designed to allow input and updates of information from many sources. Accordingly, it is essential to establish, maintain and educate users concerning a clear, uniform set of rules and safeguards to ensure that data are consistently entered and that updates and corrections are properly and timely input.

Meetings between RTI, County Counsel, and CAO staff are in progress to identify and document best practices to simplify, unify and streamline the data entry and update processes. An initial goal of these meetings is creation of documentation by RTI of the conventions and rules for data entry, data update and data correction by RMIS users and administrators. Such documentation also addresses the Auditor-Controller's (Auditor) concern that data entry rules and conventions be thoroughly documented.

Addressing the legal issue of maintaining the confidentiality of data, which is protected by statutory and other authority, is a component to the overarching concern regarding data integrity. This issue is being addressed in a two pronged approach designed to maintain and preserve the attorney-client and attorney work product privileges and protect the County's confidentiality needs in litigation matters.

First, the documentation referenced above will reinforce the need for maintenance of legal confidentiality. Second, RTI will implement modifications to the system to provide that as a user calls for access to RMIS and its data, a set of notices will be flagged or "popped-up" to the user which will expressly inform the user of the data's confidential nature. The user will then be asked to certify that he or she is authorized to access the data, to

acknowledge that attempting to access data without proper authorization may subject the user to disciplinary or other adverse action and agree to treat all accessed data discretely. Use of such methodologies will assist in preserving the confidentiality of data against claims by third parties that it is subject to disclosure because the data have been identified, marked, treated and held in confidence while addressing the department's risk management needs.

B. Data accuracy:

As a result of the conversion of data from a number of different systems, the process of data cleaning is still an issue in RMIS' development. However, this is of diminishing importance as the system ages since new data has more uniform formatting and consistency. As the system moves into its third year, the need to clean data that relates to older closed matters may decrease since the older the data, the less relevant it may be for identifying current status of open claims and cases and for analysis of future trends. An analysis is being undertaken as to the desirability of archiving or electronically closing older case information to increase system efficiency at peak load times. County actuaries likely will require a minimum of five years of clean data for any needed historical analysis and loss projections.

Continued development of documentation as described above to address consistency issues will assist to assure data accuracy. Additionally, levels of review of newly input data by the CAO or County Counsel will be considered and periodic semi-annual systematic status review of all open cases and matters may be undertaken as was done under the County Counsel's previous systems, or claims will be closed in RMIS as the claims settle.

As discussed in greater detail in Section 4 below, the CAO and County Counsel are reviewing a process change that would enable the CAO to enter initial RMIS claims information. Development of a permanent delete function also is being examined to address issues that arise from the input of data not reflective of current case information, and such deletions' impact upon future actuarial studies. As with assuring data accuracy, it is essential that all system users receive adequate training, their performance is reviewed and additional training is provided if required or as RMIS enhancements are introduced.

C. Consistent Data Retrieval:

RMIS is a sophisticated system which, at its core, replaces several preexisting systems. Data in the system are highly detailed and the core components, in certain cases County Counsel data, may overlap. Now that the County possesses experience with the system, it is appropriate to analyze improvements to the RMIS' structure and data query methodologies to continue confirming that, when retrieved, data are uniform, consistent and

accurately responds to the query. This ongoing inquiry examines, among other things, whether data are mapped to all appropriate department locations and whether data are uniformly and timely updated so that queries for the same data always produce the same responses. Currently, as reports are generated, CAO, County Counsel and RTI will continue applying methodologies for testing and validating the consistency of retrieved data.

D. Departmental Access to Information:

CAO and County Counsel understand the importance of timely access by departments to litigation related information. The Cognos business intelligence software is currently being developed as a reporting and management tool to facilitate departmental access.

2. Intended Enhancements

Enhancements contemplated under the authority granted through Amendment 2 will respond to and resolve the issues listed earlier in this report. As with all systems' development, as RMIS application matures and interfaces with other applications and systems, RMIS will face unanticipated challenges. The ongoing authority for RMIS Project Updates provides the flexibility to respond quickly to these challenges and to build necessary sophistication into an already robust system. *This approach is the emerging model for system development within the County – a strong base application with the capacity to interface with County standard platforms and existing systems and a coherent process for designing and implementing enhancements on a long term basis.*

The following enhancements will provide increased efficiency for all users while maintaining appropriate audit capability. The following have been identified as candidates for the first wave of enhancements under Amendment 2:

A. Intake Screen Enhancements:

Add appropriate fields to the Lawsuit Intake Screen as requested by County Counsel's Litigation Cost Manager to facilitate tracking of incoming lawsuits and their characteristics.

B. Confidentiality Pop-ups and Certifications:

Provide a mechanism to assure that all data protected under the attorney-client communication and attorney work product privileges are preserved and maintained in confidence in order to protect the County's rights and interests in litigation matters, while recognizing the need for, and application of, RMIS data.

C. Modification of Legal, Payment and Time Billing Screens:

Reconfigure the Legal, Payment and Time Billing Screens to allow faster loading, data entry and review, and drilling down to finer granularity of information.

D. Creation of Payment Screen View Options and Additional Sorting:

Enable finance personnel within County Counsel to more efficiently enter and review financial data.

E. Enhance Capacity To Relate Cases:

Currently, cases can be related under limited circumstances. This enhancement would allow cases to be related or cross-indexed within RMIS on all necessary bases. This will assure that when one case is reported on, all other related cases within the system can be immediately identified.

F. Modify screens to allow corrections without reentering all data.

G. Auditor Recommendations and the eCAPS Project:

Changes to the RMIS to reflect the recommended operational workflow changes of the CAO and County Counsel. eCAPS reflects the changes in CAPS as recommended by the Auditor and is scheduled to be implemented on July 1, 2005. CAO staff is modifying RMIS to coincide with the eCAPS implementation date.

H. Federal 1099 Reporting Project:

The CAO and Auditor determined that supplemental 1099 reporting services need to be provided by the County's RMIS contractor, RTI. The federally required 1099 reporting services will be performed annually by RTI, as directed by the County.

Additional Enhancements will include:

A. Improvements to the Incident Report Process:

If necessary, modify report format and processes following initial department access testing.

B. Improvements to RMIS Asset Tracker Program:

Modify this component to improve departments' ability to track property and vehicle physical damage losses.

C. Addition of new user groups and their specialized workflows; for example:

- Office of Affirmative Action Compliance (OAAC)
- Auditor-Controller Warrant Division transfer to CAO
- New CAO tort and liability adjusting units

3. Future Board Notifications

The CAO and County Counsel will generate quarterly reports to the Board on any new RMIS issues and reports concerning the progress made on upgrades/enhancements funded by Amendment 2.

4. County Counsel and CAO Claims Management Roles and Timeline

County Counsel and the CAO will work collaboratively, and with all affected departments, to ensure County tort claim investigating, reporting and adjusting responsibilities are well defined and managed, and to develop a tort claims adjusting program optimizing County Counsel and the CAO's core competencies, experience and expertise.

The CAO and County Counsel shall develop and implement Countywide standardized claim adjusting processes. Once implemented, such tort claims adjusting processes will be routinely audited by the CAO and County Counsel to ensure consistency and effectiveness.

The proposed consolidation of tort claims adjusting into the CAO does not impact County Counsel's authority to manage and settle lawsuits. County Counsel retains final settlement authority for lawsuits. The CAO and County Counsel will establish claim adjusting processes so that the CAO adjusts tort claims and assists County Counsel to resolve lawsuits. Should a claim become a lawsuit, the CAO adjusters will continue to collaboratively work with County Counsel.

The tort claims consolidation project has three primary components:

A. Transfer of tort claim and lawsuit initial coding and data entry to the CAO.

- By July 2005, transfer the initial RMIS tort claims data coding and entry functions currently performed by the Executive Office of the Board of Supervisors to the CAO.
- By July 2005, tort claims data coding and entry will be performed by the CAO on behalf, and under the direction of County Counsel. County Counsel and the CAO will collaboratively determine the most effective manner in which to permanently assign County Counsel staff to assist the CAO Risk Management Branch by providing legal support to the County's consolidated tort claims management program.

B. Consolidation of County tort claims adjusting functions:

- In July 2005, transfer the County's Small Claims Court responsibilities, non-tort property claims and vehicle physical damage claims currently adjusted by the Auditor's Warrant Investigation Division to the CAO.
- By December 2005, non-renew Octagon Risk Services, Inc.'s liability claims third party administration services contract (primarily the adjusting of medical malpractice and hospital liability claims and lawsuits), and assign those claims adjusting functions to the CAO on behalf of, and under the direction of, the County Counsel.
- By January 2006, transfer the adjustment of tort liability claims to the CAO. The adjustment will be performed by the CAO on behalf of, and under the direction of, the County Counsel. Throughout the process County Counsel will provide CAO Risk Management staff with advice, review, and direction as requested or as necessary in connection with these functions.

If after review by County Counsel, the claim is determined to involve policy or other non-tort liability issues, County Counsel will retain the claim in its main office for coding in RMIS, investigation, assessment, and recommendation for disposition to the appropriate authority. CAO Risk Management will provide consultation in connection with these functions.

All matters involving litigation will continue to be handled by County Counsel in consultation with CAO Risk Management.

C. Process improvement:

- By June 2005, modify County Code to:
 - reflect the 2002 centralization of the County's risk management functions within the CAO;
 - develop and implement, through departments, standardized Loss Control and Prevention Programs and Corrective Action Plans; and,
 - expand CAO's current claims adjusting responsibilities by authorizing the CAO to adjust and settle claims (pre-lawsuit) on behalf of, and under the direction of, the County Counsel.